No. 86-773

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

STORA KOPPARBERGS BERGSLAGS AB, UDDEHOLMS AB, UDDEHOLM CORPORATION, KLOSTER SPEEDSTEEL AB, AND SPEEDSTEEL OF NEW JERSEY, INC.,

Petitioners,

v.

CRUCIBLE, INC. AND CRUCIBLE MATERIALS CORP.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF IN OPPOSITION OF RESPONDENTS CRUCIBLE, INC. and CRUCIBLE MATERIALS CORPORATION TO PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the Federal Circuit, in reviewing various factual findings and conclusions of the district court in this patent infringement suit, properly applied the "clearly erroneous" test of Fed. R. Civ. P. 52(a).

RULE 28.1 STATEMENT

Respondent Crucible Materials Corporation has no parent companies, subsidiaries, or affiliates. Respondent Crucible, Inc. is a predecessor of Crucible Materials Corporation and no longer exists.

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STATUTES INVOLVED

The statutes involved, which were not included in the petition, are:

35 U.S.C. § 102:

> A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

. . . .

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent . . . .

35 U.S.C. § 103:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be

negatived by the manner in which the invention was made. . . .

35 U.S.C. § 135(a):

> Whenever an application is made for a patent which, in the opinion of the Commissioner, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Commissioner shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. . . .

35 U.S.C. § 284:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. . . .

35 U.S.C. § 285

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

REASONS FOR DENYING THE WRIT

This case presents no reviewable issues for this Court. Petitioners have distorted or omitted facts in

an attempt to make it appear that the Federal Circuit has ignored the constitutional standard for patentability and precedents of this Court. In actuality, all of the questions presented by the petitioners involve factual issues specific to this case that will have no effect on other litigants, and no question of major importance is presented.

Moreover, petitioners' allegations of errors are without merit. On three of the four issues presented by petitioners, Question Nos. 1, 3, and 4, three tribunals—the United States Patent and Trademark Office (PTO), the district court, and the Federal Circuit—reached the same conclusion in deciding the issue in respondents' favor. At trial, petitioners agreed that the decision of the PTO Board of Appeals on patentability should be accorded "great weight."[1] The real question involved is whether the Federal Circuit properly ruled that petitioners failed to establish that the facts found by the district court were clearly erroneous. This question is not of sufficient moment for this Court to grant certiorari.

As to the fourth issue (petitioners' Question No. 2)—willful infringement—the only issue on which the Federal Circuit reversed the district court, the district court itself acknowledged that the question was very close, that petitioners' "Hellman memorandum" was a "smoking gun," and that it expected respondents to appeal on this issue. Because the undisputed facts of record, including the facts found by the district court, dictated an ultimate finding that petitioners'

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[1] Petitioners' Appendix (PA) at 10. References to the petition are abbreviated "PET." References to respondents' Appendix are abbreviated "RA."

infringement was willful, the Federal Circuit properly exercised its appellate function in determining that the finding of nonwillfulness was clearly erroneous. This again is not a question of major importance requiring an exercise of this Court's power of supervision.

Furthermore, on every question presented by petitioners, petitioners admit that the Federal Circuit has correctly applied the law in other cases. Thus, petitioners are not complaining that the Federal Circuit has improperly interpreted the law, but rather are complaining only that petitioners disagree with the conclusion of the Federal Circuit (and the district court and the PTO Board of Appeals as well) in its application of the law to the facts of the present case. Such disagreement with the lower court's decision is not a proper basis for granting certiorari.

The following comments addressed to the four questions presented by petitioners are in order.

I. The First Question Presented Respecting the Patentability of Merely Recognizing an Inherent Characteristic of a Prior Art Product Is Not Involved in This Case

Petitioners attempt to characterize the opinion of the Federal Circuit as ignoring the rule, set forth in *General Electric Co. v. Jewel Incandescent Lamp Co.*, 326 U.S. 242 (1945), that merely recognizing an inherent characteristic of a prior art product is not patentable.

The truth is that the Federal Circuit did not question the correctness of that rule. Such a patentability issue is simply not involved in this case. The Federal Circuit did no more than affirm the district court's

decision that the factual predicate for applying the rule was not present, because claim 4 of the *Steven* patent is limited to hobs, and hobs are not disclosed, either expressly or inherently, in the prior art *Holtz* patent.[2]

The fact that the *Holtz* patent does not disclose hobs was found by the PTO in its refusal to declare an interference under 35 U.S.C. § 135(a) between the *Holtz* application and the *Steven* patent and was also found by the district court in its rejection of petitioners' argument that claim 4 was invalid because of anticipation[3] by the *Holtz* patent. The Federal Circuit merely held that petitioners had failed to establish that the district court's finding that the *Holtz* patent does not disclose hobs was clearly erroneous.[4]

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[2] PA at 19.

[3] "Anticipation" is a legal term of art referring to invalidity under 35 U.S.C. § 102, which is the appropriate defense when a claimed invention is identically disclosed or described in a single prior art reference. "Obviousness," on the other hand, refers to the defense under 35 U.S.C. § 103, which is appropriate when the claimed invention is not identically disclosed or described in a single prior art reference and it is necessary to modify a single reference or combine its teachings with those of at least one other reference.

[4] Petitioners reduce what was the true issue before the lower courts to a footnote. PET at 8 n.4. Petitioners ignore, however, the evidence tending to prove that hobs are not inherent in the disclosure of the *Holtz* patent, namely the refusal by the PTO to declare an interference and the disclosure by the *Holtz* patent of only cutting tools generally and not hobs. There are many cutting tools, and the Federal Circuit was not persuaded that the district court's finding—that the disclosure of cutting tools generally did not amount to a description of hobs—was clearly erroneous.

Petitioners attempt to make it appear that the Federal Circuit "unequivocally and without explanation" cast aside the rule that merely recognizing an inherent characteristic of a prior art product is unpatentable. They quote the Federal Circuit's statement that the inherency of the size change uniformity recited in claim 4 does not render claim 4 invalid because the property was not shown to have been obvious to those skilled in the art when the invention of claim 4 was made.[5] There is no inconsistency, however, between the rule and the Federal Circuit's statement. The rule that recognition of an inherent characteristic is not patentable applies only in the case of anticipation under 35 U.S.C. § 102 and does not apply when the issue is obviousness under 35 U.S.C. § 103. Indeed, in their brief before the Federal Circuit, petitioners cited *General Electric Co. v. Jewel Incandescent Lamp Co.* only in support of their argument that claim 4 of *Steven* was *anticipated* by the *Holtz* patent. It was with respect to the issue of obviousness under 35 U.S.C. § 103, not anticipation under section 102, that the Federal Circuit considered and rejected petitioners' argument that size change uniformity is an inherent property of the alloy disclosed in the *Holtz* patent.[6]

As petitioners recognize, the Federal Circuit has held patent claims invalid under 35 U.S.C. § 102 because of anticipation, even though the inherent properties of the claimed products were not recognized or obvious. *Titanium Metals Corp. of America v. Banner*,

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[5] PET at 7.

[6] PA at 19-21.

778 F.2d 775, 782 (Fed. Cir. 1985).[7] When the issue is not anticipation, but obviousness under section 103, however, it is improper to consider only the differences between what is claimed and the prior art, because the statutory defense applies only if "the subject matter *as a whole* would have been obvious at the time the invention was made to a person having ordinary skill in the art." *See Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1448 (Fed. Cir. 1984) (emphasis added). The district court found that an important part of the *Steven* invention was the discovery that the use of the powder metallurgy process to produce hobs eliminated the out-of-roundness problem that plagued hob producers.[8] Although the property of size change uniformity was indeed inherent in the alloy disclosed in the *Holtz* patent, this was neither known nor obvious to those skilled in the art. Consequently, the invention as a whole, a hob with dimensional stability, would not have been obvious to those of ordinary skill in the art. That was the decision of the district court, and the Federal Circuit was not persuaded that the decision was clearly erroneous.[9]

Since the rule that mere recognition of an inherent property of a prior art product is not patentable was not involved, much less rejected, in this case, petitioners' first question is not an appropriate one for this Court.

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[7] PET at 6.

[8] PA at 19-20.

[9] The dichotomy between sections 102 and 103 is not discussed in this Court's decision in the *General Electric* case, because that case was decided in 1945, and separate sections 102 and 103 were not enacted until 1952.

II. The Second Question Presented Involves Only a Routine Rule 52(a) Review of the District Court's Findings on Willful Infringement

In arguing that the Federal Circuit failed to comply with Rule 52(a), petitioners overlook that the courts of appeals have a duty to reject findings by the district courts that are clearly erroneous. That is all that occurred here.

The Federal Circuit is well aware of the restraints imposed on its review by Rule 52(a). As pointed out by petitioners, in *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed. Cir. 1986), the Federal Circuit specifically followed this Court's decision in *Anderson v. City of Bessemer City*, 470 U.S. 564 (1985).[10] Although implying that it would have decided the issue of willful infringement differently from the district court in the first instance, the Federal Circuit expressly recognized that it could not substitute its own determination for that of the district court "where two interpretations or inferences are permissible." *Rolls-Royce*, 800 F.2d at 1110. As is apparent, the Federal Circuit does not require instruction on the proper interpretation of Rule 52(a).

In *Rolls-Royce*, the Federal Circuit distinguished the present case and another of its decisions, *CPG Products Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007 (Fed. Cir. 1985), however, from the situation in *Rolls-Royce*. It noted that in *CPG Products* and the present case, an ultimate finding of willful infringement was

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[10] Indeed, the Federal Circuit showed its awareness of *Anderson v. City of Bessemer City* in this very case when it refused to reject the district court's findings on the scope and content of the prior art. PA at 13.

compelled by the district court's own underlying findings. In *Rolls-Royce*, on the other hand, the district court found that the accused infringer had made *bona fide* efforts to avoid infringement by attempting to design around the claimed invention. 800 F.2d at 1109. There is no such finding here.

In the present case, as noted by the Federal Circuit, the district court found that the petitioners assumed that their activities would infringe the *Holtz* patent and that the patent was valid. Thus, the facts are undisputed that at the time they commenced infringement, petitioners had no basis for forming a good faith belief that they would not be infringing a valid patent. On the contrary, at the time of the Hellman memorandum (referred to by the district court as a "smoking gun"),[11] petitioners were aware of the *Reen* and *Comstock et al* references and concluded that they could not successfully attack the validity of the *Holtz* patent unless they discovered more pertinent prior art. Although, as outlined in the Hellman memorandum, they conducted four separate searches for such prior art,[12] none was ever found, and the only prior

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[11] District Court Judge Diamond stated that:

> [I]t was a very close question as to whether or not the plaintiffs were entitled to exemplary damages [under 35 U.S.C. § 284]. There is virtually a smoking gun in this case, and, but for certain offsetting considerations, that smoking gun could have been the basis in and of itself of a grant of exemplary damages in this case.

RA at 3a. Judge Diamond also commented that he expected respondents to appeal on the willful infringement issue. RA at 2a.

[12] PA at 25-26.

art petitioners relied on against claim 30 of the *Holtz* patent in their appeal to the Federal Circuit was the *Reen* patent. Moreover, petitioners introduced no evidence that they sought or obtained competent legal advice from counsel before commencing their infringement. These undisputed facts, including the district court's findings, compelled the Federal Circuit to reject the district court's ultimate finding of nonwillfulness as being clearly erroneous.[13]

Petitioners argue that the Federal Circuit did not comment on the district court's findings of genuine debate and honest disagreement about the validity of the patent in suit.[14] The Federal Circuit specifically noted, however, that petitioners were warned long before they commenced infringement in the United States that their products would infringe the *Holtz* patent, and the court specifically commented that:

> Where, as here, a potential infringer has actual notice of another's patent rights, he has an affirmative duty to exercise due care to determine whether or not he is infringing. Such an affirmative duty includes, *inter alia*, the duty to seek and obtain competent legal advice from counsel *before* the initiation of any possible infringing activity. [Citations omitted.]

PA at 28 (quoting *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983)) (emphasis in original). The events relied upon by the district court, i.e. the litigation in the district

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[13] PA at 29-30.

[14] PET at 11.

court and the PTO, all occurred long after petitioners commenced their infringement.

Since the Federal Circuit merely performed its appellate duty in rejecting a finding on willful infringement that was clearly erroneous, and since it demonstrated in this very case and recently in *Rolls-Royce* its full compliance with Rule 52(a), petitioners' second question is also not an appropriate one for this Court.

III. The Third Question Presented Is Based on a Misreading of the Federal Circuit's Opinion, Which Does Not Hold That As a Matter of Law a Photograph May Never Be Relied upon to Establish a Claimed Size Limitation

Petitioners have distorted the facts to make it appear that a routine, fact-intensive issue of anticipation under 35 U.S.C. § 102 presents a constitutional issue that should be addressed by this Court.[15] In fact, the

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[15] Petitioners assert that there is a trend in the decisions of the Federal Circuit away from the constitutional standard of patentability, evidenced by the demise of the presumption that the inventor has knowledge of all material prior art in *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1449-54 (Fed. Cir. 1984). Petitioners contend that the overdue end to this unneccessary fiction, which in any event is not involved in the present case, will "permit a patentee to 'remove existent knowledge from the public domain, or . . . restrict free access to materials already available.' " PET at 15 n.10. The cited pages in the scholarly opinion in *Kimberly-Clark* written by Circuit Judge Rich, one of the primary draftsmen of the 1952 Patent Act, however, demonstrate that the court reaffirmed the constitutional standard of patentability. It stated that the use of the fictional presumption had obscured the real reason for the denial of patent rights: "that no patent should be granted which withdraws from the public domain technology already available to

Federal Circuit made no holding "*as a matter of law*, that a photograph in a prior art patent which matches a claim limitation relating to size cannot be relied upon to establish anticipation of that limitation."[16] Rather, the Federal Circuit merely held that the district court had not clearly erred when it found as a fact, after considering all of the evidence, including expert testimony on both sides of the question, that nothing in the *Reen* patent discloses the actual size of the carbides.

Moreover, contrary to petitioners' assertion that "the *only* thing the District Court found to be missing from Reen is 'the actual size of the carbides,' "[17] the district court found other deficiencies in the disclosure of the *Reen* patent. These other deficiencies constitute an independent basis for the affirmance of the finding that claim 30 was not anticipated by the *Reen* patent and render petitioners' argument about a single limitation relating to size immaterial.

Indeed, the other deficiencies in the disclosure of the *Reen* patent were expressly relied upon in the Federal Circuit's opinion. Claim 30 requires a combination of full density and fine, uniformly dispersed carbides. The district court found that *Reen* did not disclose the requisite combination of full density and fine, uniformly dispersed carbides, and did not enable one skilled in the art to achieve full density without

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the public." 745 F.2d at 1453 (quoting *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966)).

[16] PET at I (emphasis added).

[17] PET at 16 (emphasis in original).

sacrificing fine carbide size.[18] The Federal Circuit stated:

> The district court found, as had the PTO, that nothing in the Reen patent discloses the the actual size of the carbides, 594 F. Supp. at 1255, 226 USPQ at 40, and Stora has not shown that finding to have been clearly erroneous. That a defendant may when sued so measure a photograph as to match one limitation relating to size does not establish anticipation. In all events, the district court found that the Reen patent fails to disclose other elements, i.e., chemical inhomogeneity, inability to achieve full density without sacrificing fine carbide size, and Stora has not shown that finding to have been clearly erroneous.

Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565, 1571-72 (Fed. Cir. 1986), *aff'g in part and rev'g in part* 594 F. Supp. 1249 (W.D. Pa. 1984).[19]

As to the size of the carbides in Figure 2 of the *Reen* patent, there was expert testimony, obviously credited by the district court, that the etchant em-

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[18] PA at 50, 55-56. A reference does not invalidate a claimed product unless the reference renders it at least obvious to one skilled in the art how to make the claimed product. *See In re Grose*, 592 F.2d 1161, 1168 (C.C.P.A. 1979); *In re Hoeksema*, 399 F.2d 269, 274 (C.C.P.A. 1968).

[19] Respondents have cited to the published opinion of the Federal Circuit instead of petitioners' Appendix because the latter does not include the quoted portion of the opinion. That portion of the opinion was modified on rehearing, PA at 102, and petitioners have not included the modified opinion in their Appendix.

ployed by Reen to prepare the sample in the Figure 2 photomicrograph vigorously attacks carbides and therefore makes it impossible to obtain an accurate measurement of their size. Petitioners' own expert admitted the presence of carbides larger than three microns in the pinpoint photomicrograph of Figure 2. The PTO Board of Appeals also ruled that there is no basis for proper carbide size measurement in *Reen*. Although the Federal Circuit has held, as admitted by petitioners,[20] that it will not ignore facts indisputably established by a physical exhibit, *In re Benno*, 768 F.2d 1340, 1347 (Fed. Cir. 1985), it has also stated that where there is an *issue* of fact, as in this case, it would be inappropriate for the Federal Circuit to decide it, *id.*

Thus, the Federal Circuit made no arbitrary ruling as a matter of law that a photograph may never be relied upon to establish a claimed size limitation. It ruled only that on the record in this case, the district court's finding of fact that *Reen* does not anticipate the invention of claim 30 was not clearly erroneous. Once again, the question raised by petitioners is obviously not an appropriate one for this Court.

IV. The Fourth Question Presented, Whether Certain Factual Conclusions of the Federal Circuit in This Case Are "Consistent with Its Conclusion in Another Case," Is Not a Certworthy Issue

Petitioners assert the novel argument that this Court should exercise its powers of supervision because there allegedly is a conflict between the decision of the Federal Circuit in this case and another recent decision of the Federal Circuit, *A.B. Dick Co. v. Bur-*

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[20] PET at 17.

roughs Corp., 798 F.2d 1392 (Fed. Cir. 1986).[21] As will be demonstrated below, no conflict exists. Even if it did, however, the Federal Circuit's Rule 19(a), prescribing the procedure for rehearing *in banc*, provides a mechanism for resolving the conflict. Consequently, there would be no need for this Court to become involved. Furthermore, an independent basis for the district court's rejection of petitioners' defense of inequitable conduct was the court's finding that petitioners had waived the defense at trial, and the Federal Circuit properly ruled that this finding was not clearly erroneous.

Despite the decision on the waiver issue by both the district court and the Federal Circuit, petitioners urge in a footnote that this Court should find that there was no waiver.[22] The district court's finding, however, is clearly supported by the record.[23] The district court is entitled to rely upon express representations of counsel made in open court. *United States v. Cravero*, 530 F.2d 666, 671-72 (5th Cir. 1976); *cf. Smith International, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1579-80 (Fed. Cir.) (admissions in pre-trial order), *cert. denied*, 464 U.S. 996 (1983); 9 J. Wigmore, EVIDENCE §§ 2590, 2591, 2594 (J. Chadbourn rev. 1981). Petitioners should not be per-

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[21] PET at 18-21.

[22] PET at 18 n.12.

[23] RA at 1b-2b. Petitioners' counsel conceded in open court that petitioners were relying upon allegations of fraud or inequitable conduct with respect to method claims 7, 21, and 22 of *Holtz only* to obtain an award of reasonable attorney fees under 35 U.S.C. § 285 in the event that they were the prevailing parties and not as an attack on the enforceability of product claim 30.

mitted to retreat from their prior representations. *Maxon Premix Burner Co. v. Eclipse Fuel Engineering Co.*, 471 F.2d 308, 311-12 (7th Cir. 1972), *cert. denied*, 410 U.S. 929 (1973); 7 J. Moore & J. Lucas, MOORE'S FEDERAL PRACTICE ¶ 60.22[2] at 60-182 (2d ed. 1985).

After the waiver, respondents' counsel was not requested to, nor did he, relieve petitioners from their waiver. Petitioners' counsel took no action to modify or withdraw the waiver. Respondents argued in their post-trial brief that the defense had been waived, and the district court so found. Petitioners' attack on the Federal Circuit's ruling that that finding was not clearly erroneous obviously does not raise an issue of sufficient importance for this Court, and that ruling precludes this Court from addressing the alleged conflict on the materiality standard in the Federal Circuit.

In any event, the conflict does not exist. Although there may be a superficial similarity between the present case and the *A.B. Dick* case, the cases are easily distinguishable. Moreover, cases of fraud or inequitable conduct in the PTO "vary immensely in their factual situations and must be decided on a case-by-case basis." *Kimberly-Clark Corp.*, 745 F.2d at 1454.

The central fact found by the district court was that the *Comstock et al* patent was not material and that the failure to cite it to the PTO therefore was neither fraudulent nor improper, because the *Comstock et al* patent was no more pertinent than the *Reen* patent that was before the patent examiner.[24]

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[24] PA at 93. A unanimous five-member panel of the PTO Board

The Federal Circuit merely ruled that that finding had not been shown to have been clearly erroneous.[25]

In the *A.B. Dick* case, the conclusion that the patent in suit was unenforceable because of inequitable conduct was based on the failure of the patentee to cite certain Magarvey articles. No argument was made that the Magarvey articles were merely cumulative to the prior art that was before the examiner. The Federal Circuit has consistently ruled that there is no duty to cite references that are merely cumulative. *Rolls-Royce*, 800 F.2d at 1106-07; *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559-60 (Fed. Cir. 1984), *cert. denied*, 106 S. Ct. 73 (1985). Thus, the alleged conflict between this case and *A.B. Dick* does not exist.

Furthermore, the present case is distinguishable from *A.B. Dick* even on the facts that petitioners assert to be identical. In *A.B. Dick*, the Federal Circuit noted that (1) the applicant admitted that he considered the references relevant and important, and (2) the examiner had not been demonstrated to have been unreasonable in considering the withheld references important. 798 F.2d at 1397. Neither observation applies to the present case.

Petitioners quote a statement made by respondents to the PTO, more than two years after the *Holtz* patent issued, in a submission known as an Information Disclosure Statement in a patent application

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of Appeals considered the identical issue and reached the identical conclusion. *Ex parte Holtz*, 224 U.S.P.Q. 714, 717 (PTO Bd. App. 1984).

[25] PA at 22-23.

closely related to the *Holtz* patent.[26] The purpose of the Information Disclosure Statement was to disclose 140 references to the PTO. The quoted statement contrasted other references with the *Comstock et al* patent, because *Comstock et al* was then the reference relied upon by the examiner. The statement does not say that *Comstock et al* is more pertinent than *Reen*. It is fully consistent with the cumulative nature of *Comstock et al* in view of *Reen*.[27] Thus, nothing in the record supports a finding that respondents considered *Comstock et al* relevant and important.[28]

Finally, in contrast to the holding in *A.B. Dick* that the examiner there had not been demonstrated to have acted unreasonably, the PTO Board of Appeals in this case specifically held:

> [W]e do not consider Comstock more pertinent to the process claims in question than Reen. In other words, Comstock would not have placed into the arsenal of the Primary Examiner handling the '733 grandparent application any prior art not already there via

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[26] PET at 20.

[27] Furthermore, petitioners first relied upon this statement as evidence of the materiality of *Comstock et al* in their brief before the Federal Circuit, which does not permit such new arguments on appeal. *See, e.g., Atlas Powder Co. v. E.I. du Pont De Nemours & Co.*, 750 F.2d 1569, 1581 (Fed. Cir. 1984).

[28] On the contrary, both the PTO Board of Appeals and the district court found that there was no proof of the requisite intent to establish inequitable conduct. PA at 93. Thus, petitioners' statement (PET at 19) that the *Comstock et al* reference was "knowingly" withheld and their argument that inequitable conduct can be found as a matter of law (PET at 21) are manifestly inaccurate.

> Reen. We are unable to appreciate what bit of prior art information lurks in Comstock and not in Reen that would have enabled a *reasonable* Examiner to prevail upon Appellant to narrow the scope of claims 7, 21 and 22.

Ex parte Holtz, 224 U.S.P.Q. at 717 (emphasis added).

Thus, none of the alleged similarities between this case and *A.B. Dick* exists, and there is no conflict to resolve.[29]

CONCLUSION

All of the questions presented by the petitioners reduce to the correctness of findings of fact by the district court ruled upon by the Federal Circuit in the exercise of its appellate function. No question of major importance affording a proper basis for granting certiorari has been presented. Consequently, the petition for certiorari should be denied.

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[29] Yet another distinction from *A.B. Dick* is that in *A.B. Dick* the district court had held the patent in suit unenforceable because of inequitable conduct, and the Federal Circuit merely ruled that the district court had not committed reversible error. Given the standard of Fed. R. Civ. P. 52(a), it is entirely possible that if the district court had held that the defense of inequitable conduct had not been established under the same set of facts, the Federal Circuit would also have affirmed. Consequently, it cannot be concluded that the Federal Circuit's ruling affirming the district court's rejection of the defense of inequitable conduct in this case is inconsistent with its ruling in *A.B. Dick*.

Respectfully submitted,

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APPENDIX

APPENDIX A

IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA

Civil Action
Nos. 74-917
84-1062

CRUCIBLE, INC.

Plaintiff,

vs.

STORA KOPPARBERGS BERGSLAGS AB AND UDDEHOLMS AB, *et al,*

Defendants.

P R O C E E D I N G S

Status Conference held on October 5, 1984, beginning at 10:00 a.m., United States District Court, Pittsburgh, Pennsylvania, before the Honorable Gustave Diamond.

APPEARANCES:

ON BEHALF OF THE PLAINTIFF:

Ford F. Farabow, Jr., Esq.

Michael Elmer, Esq.

Frederick Francis, Esq.

Clair Mu[l]len, Esq.

On behalf of the Defendants:

Francis Hone, Esq.

Richard Clark, Esq.

John Webb, Esq.

Court Reporter:

Jordan Lilienthal 1029 United States Courthouse

Pittsburgh, PA 15219

(Whereupon, the following proceedings were held on October 5, 1984, beginning at 10:00 a.m., United States District Court, Pittsburgh, Pennsylvania, before the Honorable Gustave Diamond.)

. . . .

THE COURT: But it does seem to me the very judgment they are entitled to is an injunction. That is what this case has been about up to this point. They have prevailed on validity and infringement, and it seems to me they are entitled to that. Well, they are entitled to that as the necessary result of their victory.

Now, you might also say at this point, in terms of considering a question of a stay, I considered it to be a rather close question as to whether or not they were entitled to exemplary damages because of intentional willful infringement. But we balanced it.

I am sure that will be a cross appeal. We attempted to balance the various factors in accordance with what we perceived to be the law and concluded that they were not entitled to exemplary damages. But I must say that was a close question in the mind of the court.

. . . .

MR. HONE: Your Honor, may I have an understanding that the injunction is being issued regardless of the balance of the equities in this case?

THE COURT: No, you may not have that understanding. The court has had this case before it for a number of years. We have had a number of meetings. The court

has undergone an extensive trial and post-trial; it has examined the record at length and has entered an opinion after many months of hard work and analysis of this case and all of its aspects. And the court believes that it has considered the equities.

One of the equities that the court has considered is the one I have just indicated to you. I believe it was a very close question as to whether or not the plaintiffs were entitled to exemplary damages. There is virtually a smoking gun in this case, and, but for certain offsetting considerations, that smoking gun could have been the basis in and of itself, Exhibit 52 or whatever, of a grant of exemplary damages in this case.

APPENDIX B

MR. WHITE: While counsel is conferring, I did want to say one thing. It is, of course, a tactic of the Plaintiff in this case to continually characterize the unclean hands defense here as an allegation of fraud, thereby, of course, to graduate it into a realm where all kinds of burdens of proof and things that are peculiar to fraud cases appertain. All we are talking about, in this case, Your Honor, is Section 282—I think it is 282 of the Patent Law, which I would like to—I think 280—let me get the right section. Anyway, it is the section of the Patent Law which is titled 35 U.S. Code, that, in appropriate cases—in special cases or appropriate cases, whatever that language in that rule says, that section of the statute, the Court may award attorney fees to the prevailing party.

The point of this whole thing is to establish to this Court that this is an exceptional case, is the word in the statute.

In exceptional cases, a court may award attorney fees, of course, that being an exception to the normal American rule, where the parties bear their own attorneys' fees, but, in a patent case, in an exceptional patent case, the Court may award the prevailing party its attorney fees, and there is much law to the effect that withholding of a patent from the Patent Office can and, in fact, frequently is held to be or to constitute the exceptional circumstances which are referred to in that section of the patent law justifying an award to a prevailing party of attorney fees. It is not a case where we have, by any means, undertaken to charge or prove fraud against anybody.

THE COURT: Prevailing party. But you must prevail for the reasons—

MR. WHITE: On the merits we have to prevail.

THE COURT: Had they disclosed this patent, they never would have received theirs.

MR. WHITE: No, not at all. But that—

THE COURT: If you prevail on some other ground, you may still bootstrap yourself into attorneys' fees by demonstrating that they failed to cite a relevant prior-art patent.

MR. WHITE: Yes, the discretion of the Court is open-ended. And what it really has to do is with the, we say in this case, with the normal equitable doctrine of unclean hands. That is what we are really saying is the case here, is that there is traditional garden-variety unclean hands practiced with respect to the subject matter of the litigation. If Your Honor awards judgment for the Defendant, then this statute in the patent law confers authority on the Court to compensate the winning party, which in this case, I suppose, will be us, for our attorney fees, reasonable, not all of it, but reasonable attorneys' fees. That is—

THE COURT: You are admitting that some of it was not reasonable?

MR. WHITE: I think if the actual attorneys' fees were to be awarded, Your Honor, that would be more than normally would—It is the practice of the Court, Your Honor, in assessing the amount of fee to again exercise judgment as to what—

THE COURT: We have many of those situations, unfortunately.

MR. WHITE: But, anyway, the purpose of my speech just now was to point out that Counsel constantly characterizes this issue as a fraud allegation when, in reality, it is an allegation of unclean hands in aid of, hopefully, an award of attorneys' fees. That is what it really is.